

# Annual Performance Report 2017 - 18

## Overview

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## 1. Introduction

This document contains information that allows customers and stakeholders to review our 2017/18 performance and to make comparisons with other companies in the sector. It also provides specific information on the progress we have made on the delivery of customer outcomes and service levels and on our financial performance (including detailed revenue and cost information).

We are required to publish a single Annual Performance Report in a format prescribed by Ofwat and which contains the following four parts:

Part	Content	Link to full document
1. Regulatory Financial Reporting	A baseline level of historical cost financial information aligned to the way in which price controls (and associated regulatory performance commitments and incentives) have been set.	<a href="#">Part 1 - Regulatory financial reporting</a>
2. Price Control and Additional Segmental Reporting	Further disaggregation of revenue and costs to allow stakeholders to review companies' performance against final determinations.	<a href="#">Part 2 - Price control and additional segmental reporting</a>
3. Performance Summary	A high level report of the performance of the appointed business, including outcome delivery and the regulatory financial results of the regulated business. As a minimum it will include reporting on outcomes and delivery service levels and cost performance.	<a href="#">Part 3 - Performance summary</a>
4. Additional Regulatory Information	Additional financial and non-financial information, including (but not limited to), additional accounting policies, financeability statement, current cost reporting, totex analysis.	<a href="#">Part 4 - Additional regulatory information</a>

In addition to setting out directors' responsibilities and an executive summary of performance, we have (for ease of reference) included here the following key documents:

- Summary of Performance (which can also be found in Part 3 of the report); and
- Income Statement (which can also be found in Part 1 of this report).

We have also prepared a "Data Assurance Summary" of the results of the data assurance the company has carried out to evidence that the information provided is complete and accurate [Link to Data Assurance Summary](#).

Our Risk and Compliance Statement is included as Part 5 of the Annual Performance Report [Link to Risk and Compliance Statement](#).

Finally, to help customers and stakeholders navigate this and other published documents, we append an 'at a glance' schedule stating where documents addressing individual statutory and regulatory requirements can be found.



## 2. Board Assurance Statement

In the course of the preparation of this Annual Performance Report, the Board received reports and updates from management, the Reporter and the independent financial auditor on the implementation and review of the processes followed in compiling this Annual Performance Report, which had previously been reviewed by the Audit Committee.

The Board reviewed the Annual Performance Report at its meeting held on 5<sup>th</sup> July 2018. The matter had previously been considered at the Audit Committee meeting on 31<sup>st</sup> January 2018 (when processes were reviewed and approved) and on 6<sup>th</sup> June 2018 (when updates were provided by the Reporter and the independent financial auditor). At each of these meetings appropriate enquiries were made of the Executive team and the relevant experienced members of staff involved, in particular the Regulation and Strategy Director and also the Reporter and the independent financial auditor.

The Company is required by the terms of the Instrument of Appointment to prepare regulatory accounts for each financial year in accordance with Condition F of the Instrument of Appointment and the Regulatory Accounting Guidelines. In preparing the regulatory accounts, the Board ensures that appropriate accounting policies have been adopted and applied consistently, that applicable standards have been followed and that reasonable and prudent judgements and estimates have been made.

It is the Board's responsibility to ensure that appropriate systems are in place to maintain adequate accounting records, and to institute and maintain systems and controls designed to safeguard the assets of the Company and to take reasonable steps for the prevention and detection of fraud and other irregularities.

Having made reasonable and relevant enquiries, the Board considers that the Company has in place an assurance framework and adequate systems of control as appropriate for a Water and Sewerage Undertaker acting diligently, to allow it to discharge its responsibility for the quality and transparency of the information contained within the Annual Performance Report.

Signed by the Chairman on behalf of the Board of Dŵr Cymru Cyfyngedig.

Alastair Lyons

5<sup>th</sup> July 2018



## 3. Overview of the year

Our vision is “to earn the trust of our customers every day”. This vision is fundamental to the way we work and is particularly appropriate for us as a non-shareholder owned company - the only one in the water sector in England and Wales.

We know that customers rely on us to deliver high-quality, safe and reliable services every day, no matter what is thrown at us by the weather or other operational challenges. They also need to be able to trust us to be planning well ahead, to ensure those services are sustainable and resilient over many decades to come. To achieve this, we will need ever greater efficiency and innovation, so that our major long-term programme of investment in our treatment works and networks can be balanced with keeping bills affordable for all.

The past year has presented good examples of the challenges we may face in future - including very hot summer periods which saw significantly increased demand on our water network, but punctuated with severe summer storms. We then faced several severe cold snaps in the winter - culminating in the widespread disruption we saw across our area from heavy snowfall during “Storm Emma” in March 2018, which resulted in the greatest pressure on both our operational and customer service teams, both in terms of operational challenges in fixing burst pipes and leaks and dealing with the concerns of our customers, that we have seen since 2010.

While we have maintained a good overall operational performance last year, our challenge is not just to sustain high levels of service now but also to plan well ahead so that we can minimize the disruption experienced with similar events in the future.

To help us measure our performance, our Business Plan contains eight “key outcomes” that we want to achieve by 2020 for our customers, communities and the wider environment. We measure our success towards achieving these outcomes against a number of targets — or Measures of Success — that we aim to meet or exceed every year. These targets are a combination of regulatory targets as agreed by our regulators and others set independently by our Board.

The following is a summary of our overall performance against a range of key indicators.

### **High Quality Drinking Water**

For our customers, being able to rely on the quality of the water we supply to their homes and businesses is their highest priority and expectation of our service.

Safety in Drinking Water - To protect water quality, we invested £213million in our water services in 2017-18. Our water quality remains excellent, but in the year we had 46 regulatory samples failures out of 224,032 tests taken, compared to 34 failures last year (237,841 tests) - which resulted in us just missing our target for the performance measure (Mean Zonal Compliance) which governs the safety of drinking water.



We measure water quality at our treatment works and storage reservoirs (which store treated water at points around the network). We delivered an excellent performance this year and amongst the 46 failures, there was one failure at a treatment works and two bacteriological failures at our service reservoirs — our best ever performance.

Customer Acceptability - The number of contacts we receive from customers about the appearance, taste and odour of their water again improved this year to 2.79 contacts per 1,000 customers. While usually harmless, appearance, taste and odour issues can be off-putting for our customers. Such issues are often caused by changes in the velocity of water flows (for example, due to burst water mains or increased customer demand during hot weather), which can loosen iron sediments from within the pipes resulting in discoloured water. We managed these issues well during the year despite significant operational challenges particularly during a period of hot weather in June. We continued to address the numbers of complaints about discolouration, by accelerating our pipe cleaning and replacement programme and targeting those communities most affected by this problem.

Reliability of Supply - We managed several operational incidents in the year and although we generally managed to maintain water supplies on the network, some customers temporarily lost their supply — usually caused by a burst trunk water main. This is often caused by factors such as the age of the pipework or exceptional weather (e.g. flooding can saturate the ground, causing the pipework to move). We always do our best to maintain water supply during any incidents by drawing in water from other parts of the network or tankering water directly into the network. However, due to engineering difficulties or health and safety risks this is not always possible. As a result of the impact of "Storm Emma" severe weather event, customers experienced an average of 43 minutes interruption to supply over the year, compared to an average interruption of 12 minutes the year before.

During "Storm Emma" we had to deal with some 2,500 incidents of supply interruptions across our network and around 7,000 customers experienced interruptions to their water supply for more than 24 hours. Although we did everything possible to minimize the disruption, approximately 2.8% of our customer base were without water for more than three hours. There was a seven-fold increase in customer calls for support and help. The effects of "Storm Emma" combined with a series of trunk mains bursts that followed a cold snap shortly before Christmas, led to us failing our target for supply interruptions.

We greatly regret the fact that some of our customers were seriously inconvenienced in this manner and we are reviewing lessons to be learned from this incident, so that we can provide a better and more reliable service to our customers when next faced by such difficult operating circumstances.

## **Protecting the Environment**

We are working to ensure that the beautiful environment around us is protected for future generations.

Treating wastewater - Our overall environmental performance remained broadly stable in 2017, with some £34 million being spent on maintaining our wastewater treatment works. This continued investment helped ensure that 98.21% of the wastewater being returned to our waterways met the standards required by Natural Resources Wales.



Preventing Pollution - The total number of pollution incidents in 2017 showed a very slight increase to 115 from 114 in the previous year. We have continued to work with customers on our Let's Stop the Block campaign to raise awareness and improve education on only disposing of appropriate material into the sewer network to reduce blockages, which number around 2,000 a month and cost £7 million every year to correct. We are seeing good progress on reducing blockages generally.

## **Responding to Climate Change**

Climate change remains one of the biggest challenges facing society — and as a country with a large coastline and higher levels of deprivation than the average for the UK, our communities are more vulnerable than most to its effects. As a result, we are determined to help in the global effort to reduce the negative impacts on our planet's climate by reducing our own carbon emissions, but also to protect our customers and network from the effects of extreme weather events.

Responding to Climate Change - One of the key measures is the amount of surface water that we are preventing from entering our sewer network — the main aim of our innovative RainScape project in Llanelli and our Greener Grangetown project in Cardiff, both of which use natural methods to slow down, divert and retain rainwater before it enters our sewers. While these areas remain our primary pilot projects for surface water removal, this principle is being embedded into planning for a range of other projects. As a result, in 2017-18 we have seen strong progress in this area — with the volume of rainfall runoff draining from an area equivalent to 15,097 household roofs removed from the system, compared to 13,661 last year.

Carbon footprint - Our commitment to reducing our carbon footprint in recent years has been steadfast, with the renewable energy generated within the year increasing from 86 GWh in 2016/17 to 98 GWh. Currently, 20% of our energy is being generated from our own renewable sources. This has included the operation of our first two wind turbines, as well as hydro and solar schemes at works across our area. The acquisition of a food recycling facility near the Cardiff Wastewater Treatment Works in December 2017 means that 53% of the energy used by that works will be generated by the site itself through sustainable, renewable generation.

On the wastewater side of the business we just missed our Final Determination target (55.51GWh against a target of 57.55GWh). This was mainly due to electricity network restrictions affecting a key works and the need to undertake major engine maintenance at another location. Both of these issues are now resolved.

## **Customer Service**

Our Customer-led Success approach places the needs of our customers at the heart of everything we do. We take a lot of pride in shaping our services around the needs of our customers — and delivering the best service possible is our top priority.



Customer Satisfaction - The customers satisfaction element of Service Incentive Mechanism (SIM), is research conducted by our economic regulator Ofwat, and is designed to encourage water companies across Wales and England to improve their customer service, by comparing companies' performance — interviewing customers who have contacted us for any reason and asking them for feedback on how well we have handled customer contacts. Our SIM customer satisfaction performance, which out turned at 5<sup>th</sup> among the ten Water and Sewerage Companies for 2017-18 (with a score of 4.47 out of 5) was disappointing, due to a relatively poor score in the final quarter. We have in place a number of initiatives aimed at improving the position and these include launching a new “Customer Desk Top” platform which will allow us to improve service, continuing our Customer Led Success training programme, and taking steps to resolve queries on first contact where possible. We will continue to target being the best performing company for customer services.

At-Risk Customer Service - We invest a great deal in the resilience of our networks to protect our customers from service failures. Customers who have seen their service repeatedly fall short, are deemed at-risk of further failures. The number of customers registered as at-risk of failures like sewer flooding, odours, interruptions to services, and discolouration of water supply has risen to 613 in 2017-18 compared to the previous year's 575. The deterioration in performance this year is largely attributable to issues that occurred during Storm Emma when supply interruptions were affected, plus another exceptional weather event in July 2017 affecting Rhyl, Abergele and Prestatyn, where we saw an increase in sewer flooding. We remain committed to addressing the underlying reasons to reduce the overall number of at-risk customers.

Flooding - Internal flooding of customer properties with sewage is the worst service failure for our customers — and we have made good progress in reducing how often it happens because of our network, and in our support for customers when it does. As a result, we have reduced the number of incidents of internal flooding from 242 last year to 221 this year, despite volatile weather and periods of heavy rainfall — and we are determined to build on this progress in future.

Non-household Customer Satisfaction - The level of non-household customer satisfaction has remained high last year, although slightly below the level achieved in the previous year. Non-household customer satisfaction dropped to 87% (compared to 89% last year). We are looking to improve the level of satisfaction in coming years, with a range of value-added services for customers — particularly looking at water-saving services such as audits and telemetry, electronic billing, consolidated billing for larger businesses with multiple sites and dedicated account management.

## **Affordable Bills**

We have a responsibility to balance investment to improve our services keeping bills to an affordable level to ensure that they are fair for customers. We also focus on supporting those in genuine financial need while pursuing those that can pay their water bill, but choose not to do so.

Affordable Bills - In 2014, we pledged that by 2020 we would have achieved a decade of average annual household bill rises that were at, or below, the rate of Retail Prices Index (RPI) inflation. This would ensure that even when times are tough, customers know that their water bills are affordable and as low as possible. We are delighted that in 2017/18 we have achieved eight consecutive years of below-RPI inflation average household bill rises, with our most-





recent announcement in February 2018 confirming a 1.8% rise to an average combined bill of £439 (2016-17: 0.3%). This does represent a rise of £8 on the previous year, but was among the lowest percentage increases in the water industry across England and Wales.

Help for Disadvantaged Customers - Our operating area includes communities with some of the highest levels of deprivation in the UK — so when times are tough, our customers feel it more than most. That is why we have placed such a big emphasis on supporting those customers who genuinely need support in paying their water bills. We had a target of supporting 100,000 or more of these customers by 2020, and we are delighted to report that we have now met that threshold two years early — with more than 105,000 enrolled in our range of social tariffs, and 50,000+ now supported by our flagship HelpU tariff, which caps bills of eligible households at under £200 a year. This represents levels of support for low-earning households that is not matched by any other water company in England and Wales. The company paid around £5 million towards the cost of supporting these low-earning households — money that in other water companies would have gone as dividends to shareholders.

## **Looking after our Assets**

With more than 27,500km of water mains, and over 36,000km of sewers, and hundreds of water and wastewater treatment works, our network is extensive— and includes challenging mountainous terrain, sparsely populated rural communities and urban centres. The network requires a huge amount of investment to maintain. If we replaced all of our infrastructure at once, it would cost around £23 billion. As a result, we have invested £213 million in our water assets, and £197 million in our wastewater assets over the past year. Our capital investment totals more than £1 million a day, and our capital investment for 2017-18 is a record high at more than £430 million (2016-17: £366 million). Maintaining our assets for future generations is a critical part of our responsibility to customers — and one we take seriously.

Asset serviceability - This is assessed by a number of key measures for Ofwat to monitor how we are investing in our assets. Within this measure we are rated either “improving”, “stable”, “marginal”, or “deteriorating”. For 2017-18, we are reporting “stable” across all measures.

Leakage - Reducing leakage from our network is a key target for our Water Services teams. As a result, we have invested in new, emerging technology to detect and repair leaks and bursts faster than ever before. For instance, we have begun using drones to survey suspected leak areas to find leaks more quickly, and we use state of the art flow monitoring and alert systems to detect possible leaks when they appear. Despite a very challenging year in terms of operational incidents on our network, and severe weather, we have reduced the amount of water lost from our network to 173 megalitres per day — meeting our target.

Asset Resilience (Water) - The long-term resilience of our assets is measured against a set of criteria which shows how they are performing and providing service to our customers. As a company, we invest significantly in our Water Services assets to ensure long-term resilience and service performance particularly in our water treatment works and other assets. This is a particularly important part of our Welsh Water 2050 long-term vision which aims to strengthen the resilience of our assets to improve services to customers in future. As such, we are encouraged that our water assets resilience score has remained stable this year at 90.4 out of 100.



Asset Resilience (Wastewater) - With over 36,000km of sewers across our operating area and 835 wastewater treatment works, our wastewater services network is vast and of huge strategic importance. We measure the performance and resilience of a snapshot of this network against a set of criteria to monitor whether they are delivering reliable services for customers. We are pleased to report that we have improved the score to 77.5 out of 100, from 73.9 the previous year. The improvement is partly down to improvement in power resilience and the plans in place to respond to emergency events for our wastewater treatment works and sewage pumping stations.

## **Developing and Protecting our People**

We are committed to preserving and developing the best talent for the future – in a culture that keeps our people safe, healthy and happy.

Health and Safety - Our people are our greatest assets — and our greatest ambassadors. So we prize the health and safety of our colleagues above all else and make sure that, whatever they do, they go home safely at the end of the day. As a result, we have focused on building a culture where health and safety is paramount for every job we do. Our operational teams regularly hold “safety days” throughout the year to review best practice and to improve the procedures in each team. This year, we achieved our second-best ever performance in terms of RIDDOR injuries (Reporting of Injuries, Diseases and Dangerous Occurrences) — with 14 such incidents during the year, affecting Welsh Water colleagues and members of our extensive supply chain. We remain focused on preventing these more serious injuries over the coming year.

Competence in role - We are also committed to helping all of our people grow and thrive in their careers at Welsh Water. This is particularly important as we have an ageing workforce. We therefore carry out regular reviews across the business to see whether the teams have the right skills to meet the challenges they will face. Our current score has gone down to 82% (2017: 87%), which is in part as a result of the time taken to bring new starters up to a level of competency for their roles in the business, the impact of Storm Emma (when we had to cancel training courses) and a delay while an additional trainer was recruited.

## **An Efficient Business**

We continue to invest to preserve and improve the essential services we provide for the future. In 2017-18, this amounted to more than £430 million in capital investment — our largest ever annual investment in our assets and infrastructure and in line with our £1.7 billion investment agreement with our regulator, Ofwat, for the 2015-2020 period. This year has delivered a financial performance which is in line with our expectations – and balances our priority to invest in our network with keeping bills affordable for customers.

Financing Efficiency - Since 2001 when Glas Cymru acquired Welsh Water, we have reduced our gearing from 93% to 57%, consistent with the Board's policy of maintaining gearing at or below 60% to maintain our access to low cost borrowing and our financial resilience. Our strong credit rating from the leading



rating agencies — Moody's (A2), Fitch (A) and Standard & Poor's (A) ensures that we can obtain funds for investment at sector leading interest rates, keeping customer bills as low as possible as with no shareholders, all the benefit goes to customers.

## **Ongoing Engagement with Customers**

We are committed to an ongoing programme of customer involvement on a wide range of issues, such as how we can best support customers in vulnerable circumstances, and also how we invest millions of pounds each year that in other companies would go to shareholders, so as to improve the service and value for money that we can deliver for customers in the future.

## **External stakeholder engagement**

The Customer Challenge Group (CCG) is an independent panel of people from across the area that we serve who bring with them knowledge and experience from a variety of backgrounds. As well as providing independent challenge to us, they also provide assurance to one of our regulators, Ofwat. Members include organisations representing vulnerable and older people, the Welsh Local Government Association and other business and regulatory bodies. The CCG provides independent challenge, scrutiny and advice to ensure that current and future customers are at the heart of the way we operate.

Since April 2017 the CCG has met seven times and the topics discussed include performance and progress updates, customer research and engagement results.

On a monthly basis we share with CCWater our performance scorecard and progress on key measures. In addition, we have had meetings with key stakeholders such as the Chair of CCG, CCWater and Welsh Government on a number of subjects, for example, the layout and content of the Annual Performance Report and the Final Assurance Plan.

## **Resilience**

Corporate and financial resilience are key to maintaining a truly resilient business in the long-term. As part of our Welsh Water 2050 planning, we have developed a Resilience Wheel, which we will use to develop our future business plans and report on our progress towards achieving our long-term vision for customers.

We are pleased that our strong financial position, built up over many years, means that we have the highest credit rating of all the utility companies in the UK, enabling us to continue to access low-cost borrowing such as the £300 million sterling bond issue in January this year. Such efficient financing plays a key part in enabling us to invest in our water and waste water services — with a record £431 million invested in our capital programme over the past 12 months — whilst keeping down price increases to customers — which rose on average by less than RPI inflation for the eighth year in a row.



## **Innovation**

We continue to embrace innovation across the company and believe that this will help make our future services better, faster and cheaper. In April 2018 we held our fifth annual Innovation Conference, involving over 300 delegates in showcasing a range of ways we can deliver services more efficiently to communities — from programmes like our award-winning catchment management programme, which seeks to work with stakeholders across catchment areas to improve the quality of water before it reaches our treatment works, to the innovative use of data and technology to drive improvements in customer service. These advances will deliver major efficiencies for our customers and allow us to do a better job for them and for the environment for years to come.

## **Welsh Water People**

We can only hope to earn the trust of our customers through the extraordinary efforts and commitment of all our colleagues in Welsh Water and our wider network of contractors and partners. The past 12 months, particularly the challenges faced during “Storm Emma”, have again shown what skilled and dedicated colleagues we have, who will do their utmost to maintain services and do the right thing for the customers we serve and the environment which we all rely on.

Whilst it is very encouraging to record that our latest independent market research shows that 84% of our customers do believe that they can trust Welsh Water, it will be essential that we all strive to build on our successes in 2017-18, learning from the challenges that we have faced, so that we can continue to make significant steps on our journey to become a truly world class, resilient and sustainable water service for the benefit of future generations.

A handwritten signature in black ink, appearing to read 'C. Jones'.

Chris Jones

Chief Executive

5<sup>th</sup> July 2018



## 4. Performance Summary

2017/18 Annual Performance	2016/17 Outturn	2017/18 Outturn	2017/18 Vs FD Target	2017/18 Vs IBP Target	2017/18 Vs Previous Year	RAG vs Sector
A1(a): % sample Compliance (c)	99.99%	99.98%	n/a	✓	✗	✓
A1(b): Mean Zonal Compliance (c)	99.97%	99.96%	✗	n/a	✗	✓
A2(a): Customer Acceptability (c) <small>(excluding private contacts)</small>	2.9	2.79	n/a	✓	✓	n/a
A2(b): Customer Acceptability (c)	3.20	3.19 *1	✗	✗	✓	✗
A3: Reliability of Supply	12.15 mins	43.3 mins	✗	✗	✗	✗
B1: Abstraction for water	100%	100%	✓	✓	✓	✓
B2: Treating used water (c)	99.47%	98.21%	✗	✗	✗	✗
B3: Pollution Incidents (c)	111	112	✓	✓	✗	✓
C1: Responding to Climate Change	13,661	15,097	✓	✓	✓	n/a
C2: Carbon Footprint-Water	37.49 GWh	42.38 GWh	✓	✗	✓	n/a
C2: Carbon Footprint-Wastewater	49.01 GWh	55.51 GWh	✗	✗	✓	n/a
D1: SIM	83	85	*2	✗	✓	✗ *3
D2: At Risk - Customer Service	575	613	✓	✓	✗	n/a
D3: Properties flooded in the year	242	221	✓	✓	✓	✓
D4: Business Customer Satisfaction	89%	87%	✗	n/a	✗	n/a
D5: Earning the Trust of Customers	85%	84%	✓	✓	✗	n/a
E1: Affordable Bills	-1%	-2%	✓	✓	✓	n/a
E2: Help for Disadvantaged Customers	65,461 *4	100,999	✓	✓	✓	n/a

\*1 This figure includes customer contacts relating to issues arising from customers' own private plumbing. If contacts resulting from issues with the customer's own internal pipes are excluded, the 2017 number is 2.79 contacts per 1,000 customers (2016: 2.9).

\*2 Performance against FD target (i.e. upper quartile) will not be known until all companies publish their Annual Performance Reports in July 2018.

\*3 In terms of the RAG comparison against the sector, the amber assessment is based on the qualitative element of SIM only.

\*4 Both 2016/17 and 2017/18 outturn figure exclude those customers who benefit from our 'Water Collect' scheme. If 'Water Collect' customers benefitting from a social tariff/means of assistance are included, the 2017/18 number is 105,864.

C - Calendar year measure (all others are financial year measures)

FD - Final Determination.

IBP - Internal Business Plan.



2017/18 Annual Performance	2016/17 Outturn	2017/18 Outturn	2017/18 Vs FD Target	2017/18 Vs IBP Target	2017/18 Vs Previous Year	* RAG vs Sector
<b>F1: Asset Serviceability</b>	Stable x 4	Stable x 4	✓	✓	✓	n/a
<b>F2: Leakage</b>	175.43	172.85	✓	✓	✓	●
<b>F3: Asset Resilience - Water</b>	89.5%	90.4%* <sub>5</sub>	✓	✓	✓	n/a
<b>F3: Asset Resilience - Wastewater</b>	73.6%	77.5%* <sub>5</sub>	✓	✓	✓	n/a
<b>G1: Health &amp; Safety</b>	12	14	n/a	✓	✗	n/a
<b>G2: Competency for role</b>	86.6%	82%	n/a	✗	✗	n/a
<b>H2: Financing Efficiency</b>	A/A2/A	A/A2/A	n/a	✓	✓	●
<b>Net Promoter Score</b>	55.4	63	n/a	✓	✓	n/a
<b>Written Complaints</b>	6,582	3,862	n/a	✓	✓	●
<b>Bad Debt</b>	£23.3m	£22.1m	n/a	✓	✓	n/a
<b>UKCSI</b>	76.5	76.8	n/a	✓	✓	n/a
<b>Unwanted Calls</b>	127,449	138,193	n/a	n/a	✗	●
<b>Process Control Index</b>	100%	99.998%	n/a	n/a	✗	●
<b>Disinfection Index</b>	99.998%	99.992%	n/a	n/a	✗	●
<b>Reservoir Integrity Index</b>	99.98%	99.99%	n/a	n/a	✓	●

Red, Amber, Green (RAG)  
\* Industry comparison against the other water and sewerage companies

●	Upper quartile performance
●	Average Performance
●	Lower quartile Performance

C - Calendar year measure (all others are financial year measures)  
FD - Final Determination.  
IBP - Internal Business Plan.

\*<sub>5</sub> Both 2016/17 and 2017/18 outturn figures are based on the strategically important assets listed at the time of the 2014 FD. In addition, to reporting against this FD measure, we assess performance against the most up to date list of strategically important assets. On pages 31 and 32 we set out details of performance against both measures.



## 5. Income Statement

	Ref	Statutory £m	Adjustments			Total appointed £m
			RAG differences <sup>1</sup> £m	Non- appointed <sup>2</sup> £m	Total adjustments £m	
Revenue	2A	756.790	(4.397)	5.051	(9.448)	747.342
Operating costs	2A	(679.649)	(8.292)	(4.550)	(3.742)	(683.391)
Other operating income		1.801	-	-	-	1.801
<b>Operating profit</b>	2A	<b>78.942</b>	<b>(12.689)</b>	<b>0.501</b>	<b>(13.190)</b>	<b>65.752</b>
Other income		-	14.689	-	14.689	14.689
Interest income		3.877	-	0.139	(0.139)	3.738
Interest expense		(178.550)	(16.400)	-	(16.400)	(194.950)
Other interest expense		(2.494)	-	-	-	(2.494)
<b>Loss before tax and fair value movements</b>		<b>(98.225)</b>	<b>(14.400)</b>	<b>0.640</b>	<b>(15.040)</b>	<b>(113.265)</b>
Fair value gains on financial instruments		52.265	-	-	-	52.265
<b>Loss before tax</b>		<b>(45.960)</b>	<b>(14.400)</b>	<b>0.640</b>	<b>(15.040)</b>	<b>(61.000)</b>
UK corporation tax		1.008	-	-	-	1.008
Deferred tax		5.464	2.448	(0.109)	2.557	8.021
<b>Loss for the year</b>	1B	<b>(39.488)</b>	<b>(11.952)</b>	<b>0.531</b>	<b>(12.483)</b>	<b>(51.971)</b>

<sup>1</sup> Differences between statutory and RAG definitions; for further details see note 1 in Part 4.

<sup>2</sup> See Accounting policies note in Part 4 for a description of the company's non-appointed activities.



## 6. Data Assurance Processes

The Board is committed to providing information to customers and stakeholders that is customer-led, accessible, clear, accurate, transparent and timely. Our ongoing objective therefore, is to make available information that meets stakeholder's needs, is easy to understand and navigate and which enables them to understand how we are performing. We also recognise that providing information to a consistently high standard helps build trust and confidence in everything we do.

Our customers drive our thinking and our plans and we welcome the important contribution made by our independent Customer Challenge Group in challenging our customer engagement and research programme to ensure that we plan to deliver the best possible outcomes for customers. We have shared with the Chair of the Customer Challenge Group the content of this Annual Performance Report and his comments were positive and supportive.

We produce extensive company information obtained from measuring and recording what we do. Much of this is provided to our regulatory stakeholders and other stakeholder groups or published in our Annual Performance Report and on our website.

The Board has put in place an audit and assurance framework designed to allow the systematic monitoring and evaluation of the various aspects of our performance to ensure that standards of quality are being met. This involves having appropriate governance arrangements, close involvement by our Board in the assurance process, and the right level of independence in the process to provide third party review and challenge. This provides assurance to our Board, stakeholders and customers and gives legitimacy and certainty on the level of performance and service that we are delivering. This means that our statutory and regulatory reporting requirements are met in full with a high level of assurance.

This year, we have prepared a stand-alone Data Assurance Summary which details the assurance activities relevant to this Annual Performance Report and other publications. This can be found at [Data Assurance Summary](#).





## Appendix – ‘At a Glance’ – Schedule documenting where individual elements of this report can be found.

Individual elements of this report.	Annual Performance Report (APR)	Risk & Compliance Statement	Annual Report & Accounts	Data Assurance Summary	Accounting Methodology Statement
Please click on relevant Hyperlinks to open document.	Hyper link	Hyper link	Hyper link	Hyper link	Hyper link
<b>Annual Performance Report – Parts 1, 2, 3 and 4.</b> A report which provides specific information on progress on delivery of customer outcomes, service levels, transparent cost information and financial performance.	<a href="#">✓</a>			<a href="#">✓</a>	
<b>A Data Assurance Summary.</b> A standalone report that highlights the results of the data assurance that we have carried out to evidence that the information provided is accurate.				<a href="#">✓</a>	
<b>A Risk and Compliance Statement. –</b> Which confirms that the Board has: <ul style="list-style-type: none"> <li>a full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations;</li> <li>satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations; and</li> <li>appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.</li> </ul>		<a href="#">✓</a>			
Confirmation that we have sufficient financial and management resources (licence condition F6A.2A).	<a href="#">✓</a> <a href="#">[Part 1, page 3]</a>	<a href="#">✓</a> <a href="#">[Page 10]</a>			
Confirmation that there are sufficient rights and assets available to enable a special administrator to run the business (licence condition K).	<a href="#">✓</a> <a href="#">[Part 1, page 5]</a>	<a href="#">✓</a> <a href="#">[Page 12]</a>			
Ensuring that trade with associates is at arm’s length (licence condition F6.1).	<a href="#">✓</a> <a href="#">[Part 1, page 6]</a> <a href="#">✓</a> <a href="#">[Part 4, page 81]</a>	<a href="#">✓</a> <a href="#">[Page 12]</a>			



Individual elements of this report.	Annual Performance Report (APR)	Risk & Compliance Statement	Annual Report & Accounts	Data Assurance Summary	Accounting Methodology Statement
Please click on relevant Hyperlinks to open document.	Hyper link	Hyper link	Hyper link	Hyper link	Hyper link
Maintaining an investment grade credit rating (licence condition F6A.6).	<a href="#">✓</a> [Part 1, page 5]	<a href="#">✓</a> [Page 11]		<a href="#">✓</a> [Page 80]	
A statement explaining any links between Directors' pay and standards of performance (Section 35A Water Industry Act 1991).	<a href="#">✓</a> [Part 1, page 2] <a href="#">✓</a> [Part 4, page 100]	<a href="#">✓</a> [Page 10]	<a href="#">✓</a> [Page 78]		
Reporting <u>by exception</u> if delivery of outputs is materially different to our Final Determination (FD). This only applies to outputs not covered by the key indicators (for example, requirements to deliver specific schemes). ** We have no material differences to our FD on non-financial outputs.	<a href="#">✓</a> [Part 2] **				
<b>Disclosures required in the Annual Performance Report</b>					
Within the Regulatory Accounting Guidelines (RAG 3.10) we are required to include the following items in the APR					
• a note which describes the link between directors' pay and standards of performance (as required by section 35A of the Water Industry Act 1991 ( <i>inserted into that Act by section 50 of the Water Act 2003</i> )) (RAG 3.10-section3.2)	<a href="#">✓</a> [Part 1, page 2] <a href="#">✓</a> [Part 4, page 100]	<a href="#">✓</a> [Page 10]	<a href="#">✓</a> [Page 78]		
• a statement as to disclosure of information to auditors (RAG 3.10 section 3.3)	<a href="#">✓</a> [Part 1, page 2]	<a href="#">✓</a> [Page 10]	<a href="#">✓</a> [Page 93]		
• a statement on dividend policy for the appointed business (RAG 3.10 section 3.4)	<a href="#">✓</a> [Part 1, page 3]	<a href="#">✓</a> [Page 10]	<a href="#">✓</a> [Page 86]		
• an accounting policy note for price control units (RAG 3.10 section 3.5)	<a href="#">✓</a> [Part 2, page1]		<a href="#">✓</a> [Page 106]		
• a note on revenue recognition (RAG 3.10 section 3.6)	<a href="#">✓</a> [Part 4, page 64]		<a href="#">✓</a> [Page 65]		



Individual elements of this report.	Annual Performance Report (APR)	Risk & Compliance Statement	Annual Report & Accounts	Data Assurance Summary	Accounting Methodology Statement
Please click on relevant Hyperlinks to open document.	Hyper link	Hyper link	Hyper link	Hyper link	Hyper link
• a note on capitalisation policy (RAG 3.10 section 3.7)	<a href="#">✓</a> [Part 4, page 69]				
• a note on bad debt policy (RAG 3.10 section 3.8)	<a href="#">✓</a> [Part 4, page 66]				
• a statement on Condition K compliance (RAG 3.10 section 3.9)	<a href="#">✓</a> [Part 1, page 5]	<a href="#">✓</a> [Page 12]			
• a statement on diversification and protection of the core business (RAG 3.10 section 3.10)	<a href="#">✓</a> [Part 1, page 3]	<a href="#">✓</a> [Page 10]	<a href="#">✓</a> [Page 48]		
• the tax strategy for the appointed business (RAG 3.10 section 3.11)	<a href="#">✓</a> [Part 4, page 93]		<a href="#">✓</a> [Page 85]		
• a statement on differences between statutory and RAG definitions (RAG 3.10 section 3.12)	<a href="#">✓</a> [Part 4, page 77]				
• a statement explaining out/under performance of the return on regulatory equity (RORE) (RAG 3.10 section 3.14).	<a href="#">✓</a> [Part 4, page 87]				
• an Accounting Methodology Statement (RAG 3.10 requirement).					<a href="#">✓</a>
• narrative disclosures on performance (RAG 3.10)	<a href="#">✓</a>				
• Retail – Commentary on differences between values reported in table 2C line 12 (total operating costs and retail revenues allowed in the FD 2015-20) RAG 3.10 section 4.3)	<a href="#">✓</a> [Part 2, page 3]				
• Wholesale revenue control reconciliation – Commentary on differences reported in table 2I line 26 between allowed and actual revenues under the wholesale control. RAG 3.10 section 4.4)	<a href="#">✓</a> [Part 2, page 9]				
• a tax reconciliation (RAG 3.10 section 4.5)	<a href="#">✓</a> [Part 4, pages 89]				
<b>Disclosures required Information Notice (IN18/07)</b>					



Individual elements of this report.	Annual Performance Report (APR)	Risk & Compliance Statement	Annual Report & Accounts	Data Assurance Summary	Accounting Methodology Statement
Please click on relevant Hyperlinks to open document.	Hyper link	Hyper link	Hyper link	Hyper link	Hyper link
<b><u>Long term viability statements</u></b> We have included a long term viability statement within our APR part 4	<a href="#">✓ [Part 4, page 96]</a>	<a href="#">✓ [Page 12]</a>	<a href="#">✓ [Page 48]</a>		
<b><u>Board leadership and governance principles</u></b> A demonstration through our annual reporting on how we are meeting our Board leadership and governance principles.	<a href="#">✓</a>	<a href="#">✓</a>	<a href="#">✓ [Page 50]</a>	<a href="#">✓</a>	
<b><u>Company direction and performance</u></b> A short annual statement explaining how we are delivering for everybody who depends on our services and how we have set our aspirations.	<a href="#">✓</a>		<a href="#">✓</a>		
<b><u>Financial metrics</u></b> A set of financial metrics all companies report on and which provides enhanced visibility of company financing and capital structures. Relevant data is set out in APR tables 4H to 4I and can be found in APR part 4.	<a href="#">✓ [Part 4, pages 15-16]</a>				
<b><u>Transparency of financial flows</u></b> A clear comparison in the APR between the financial flows to investors on the basis of the actual capital structures of water companies and what they would have been under Ofwat's notional structure	<a href="#">✓ [Part 4, page 129]</a>				
<b><u>Assurance and monitoring</u></b> We have implemented assurance procedures to ensure we meet all of our legal and regulatory obligations.  Audit opinion provided which is consistent with the required wording of the audit opinion that Ofwat expects all auditors to provide on the APR for 2017/18.	<a href="#">✓ [Overview, page 16]</a> <a href="#">✓ [Part 3, Appendix]</a> <a href="#">✓ [Part 1, page 7]</a>	<a href="#">✓ [Appendix A]</a>	<a href="#">✓ [Page 96]</a>	<a href="#">✓ [Page 4]</a>	
<b>Expectations for companies reporting of financial flows for 2017/18 - Information Notice (IN18/08)</b>					

# Annual Performance Report 2017/18



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Please click on relevant Hyperlinks to open document.	Hyper link	Hyper link	Hyper link	Hyper link	Hyper link
Complete and submit the data relating to financial flows for 2017/18 and the two prior reporting periods using the template provided with supporting narrative highlighting the key features of the analysis (if appropriate). This should be published in the APR.	<a href="#">✓ [Part 4, page 129]</a>				
<b>Bioresource market information.</b>					
Publication of our bioresources market information on our website.	<a href="#">Hyperlink to the bioresources market information</a>			<a href="#">✓ [Page 20]</a>	
<b>PR14 reconciliation rulebook.</b>					
	<a href="#">Hyperlink to PR14 reconciliation rulebook</a>				

Please also see 'Our Assurance Framework' webpage where all the Annual Performance Reports for the last three years are listed along with our Final Assurance Plan. [Hyperlink to Our Assurance Framework](#).